ment has been called upon with greater and greater frequency to supply grant funds for a host of programs, including road building, public housing, education, basic scientific research, the War Against Poverty, and a myriad of others. The total funds expended annually in the form of grants is now well into the billions.

The questions raised in this novel case call upon the Federal Judiciary to decide whether the Federal Government in the Court of Claims will stand responsible for all patent infringing activities by grantees, or if the grantees themselves will have to be directly accountable to patent holders in infringement suits in the District Courts. The decision of the District Court in the instant case seemed to yield a definitive holding that a grantee's activities clearly came within and were covered by § 1498, and, therefore, a complaining patent owner had to proceed against the Federal Government in the Court of Claims. The decision by the Court of Appeals—by restricting its holding to the specific facts of the case and not embracing the broader, more definitive holding of the District Court—fails to establish a precedent.

Respecting the legislative history of § 1498, in 1910[1], Congress provided, for the first time, a remedy against the United States for patent infringement. Then, in

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[1] Act of June 25, 1910, c. 423, 35 Stat. 851, provides in pertinent part:

> "That whenever an invention described in and covered by a patent of the United States shall hereafter be used by the United States without license of the owner thereof or lawful right to use the same, such owner may recover reasonable compensation for such use by suit in the Court of Claims . . ."

1918[2], Congress, spurred by possible interference with the war effort, amended the Act of 1910 and assumed all liability for patent infringements resulting from Government procurement, thereby precluding suits against Government contractors. Finally, in 1942, by passage of the Royalty Adjustment Act[3], Congress,

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[2] Act of July 1, 1918, c. 114, 40 Stat. 705, provides in pertinent part:

> "That whenever an invention described in and covered by a patent of the United States shall hereafter be used *or manufactured* by *or for* the United States without license of the owner thereof or lawful right to use *or manufacture* the same, such owner's remedy shall be by suit *against the United States* in the Court of Claims *for the recovery of his reasonable and entire compensation for such use and manufacture:* Provided, however, That said Court of Claims shall not entertain a suit or award compensation under the provisions of this Act where the claim for compensation is based on the use *or manufacture* by *or for* the United States of any article heretofore owned, leased, used by, or in the possession of the United States . . . ." [Changes from Act of 1910 in italics]

[3] The portion of The Royalty Adjustment Act applicable to the statutory history of § 1498 was Sec. 6 (second half) which introduced the language now appearing as the second paragraph of the present statute:

> "For the purpose of this Act, the manufacture, use, sale, or other disposition of an invention, whether patented or unpatented, by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government shall be construed as manufacture, use, sale, or other disposition for the United States; and for the purposes of the Act of June 25, 1910, as amended (40 Stat. 705; 35 U.S.C. 68), the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States." The Royalty Adjustment Act of October 31, 1942, Sec. 6, c. 634, 56 Stat. 1013.

again facing a wartime situation and a greatly expanded production, sought to limit its assumption of liability only to those infringements it had authorized or to which it had consented.

After World War II, the Act of 1910, then a part of Title 35 of the United States Code (40 Stat. 705 (1918), 35 U.S.C. § 68 (1952)), was reworded and transferred to Title 28[4] and, subsequently, amended again to follow more closely the language employed in the 1918 amendment.[5] However, none of these changes was material, and in 1951, Sec. 6 of the Royalty Adjustment Act, with its requirement for authorization or consent, was substantially incorporated into 28 U.S.C. § 1498.[6]

The purpose and significance of § 1498 to the Federal Government is stated clearly and concisely in the Opinion of the Comptroller General, 38 Comp. Gen. 276, 119 U.S.P.Q. 187 (1958). This opinion followed the Comptroller General's decision in *Herbert Cooper,* B-136916 (August 25, 1958) (unpublished) and was requested by the Secretary of the Air Force to clarify what he felt were "broader implications" of the *Herbert Cooper* opinion. The Comptroller replied:

> ". . . It is suggested that the indiscriminate use of the right afforded to the Government under 28 U.S.C. 1498 would be inimical to and destructive of the public policy considerations underlying

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[4] Act of June 25, 1948, ch. 646, 62 Stat. 941, 35 U.S.C. § 68, repealed by 62 Stat. 998 (1948).

[5] Act of May 24, 1949, ch. 139 § 87, 63 Stat. 102 (1949).

[6] Act of October 31, 1951, ch. 655, § 50(c), 65 Stat. 727. In the codification of Sec. 6 of the Royalty Adjustment Act, the words "sale, or other disposition" were omitted.

the patent law. It is our view, however, that section 1498 appears clearly to constitute a modification of the patent law *by limiting the rights of patentees insofar as procurement of supplies by the Government may be concerned,* and by vesting in the Government a right to the use of any patents granted by it upon payment of reasonable compensation for such use. We believe that the statute is not consistent with any duty on the part of a contracting agency of the Government to protect the interests of patentees or licensees *with respect to articles which it proposes to purchase,* since the statute itself defines and provides an exclusive remedy for enforcement of the patentee's rights as to the Government. Any other interpretation would appear to us to impose an impossible burden upon Government procurement officials to determine the applicability and validity of any patents affecting any articles desired.

"Where the procurement is to be made by formal advertising, it is our opinion, notwithstanding what was said in 13 Comp. Gen. 173, that there is no alternative to the securing of the maximum amount of competition from firms qualified and willing to undertake the production of the articles, subject, of course, to their willingness and ability to indemnify the Government against claims of patentees." (at 119 U.S.P.Q. 188) [Emphasis added]

Respecting the law on grants of Federal funds, the basic position was announced by this Court in the decision of *King County* v. *Seattle School District No. 1,* 263 U.S. 361, 68 L.Ed. 339 (1923).[7]

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[7] The particular funds, money received from forest reserves, were granted by Act of Congress to the several states to be expended as the state legislatures prescribed for the benefit of the public schools and public roads of the counties in which the forest reserves were situated. For certain years, money granted

A number of opinions have been issued by the Comptroller General which seem to render more difficult a simple application of § 1498 to the questions presented in this Petition.[8]

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to King County via the State of Washington was divided approximately 90% for roads and 10% for county schools. The school board charged that the county was obligated by the grant to divide the money equally for the two uses. The Court decided in favor of the county.

The following language from the decision is of significance to the present questions:

> "When turned over to the state, the money belongs to it absolutely. There is no limitation upon the power of the legislature to prescribe how the expenditures shall be made for the purposes stated, though, by the act of Congress, 'there is a sacred obligation imposed on its public faith.' Cooper v. Roberts, 18 How. 173, 181, 15 L.ed. 338, 341; Alabama v. Schmide, 232 U.S. 168, 173, 58 L.ed. 555, 558, 34 Sup. Ct. Rep. 301; Mills County v. Burlington & M. River R. Co., 107 U.S. 557, 566, 27 L.ed. 578, 581, 2 Sup. Ct. Rep. 654; Hagar v. Reclamation Dist., 111 U.S. 701, 713, 28 L.ed. 569, 574, 4 Sup. Ct. Rep. 663. * * * The public schools and public roads are provided and maintained by the state or its subdivisions, and the moneys granted by the United States are assets in the hands of the state, to be used for specified purposes as it deems best. See State ex rel. Moore v. Callvert, 34 Wash. 58, 61, 74 Pac. 1018." (at pages 364-365)

[8] In his unpublished opinion B-145140, dated May 3, 1961, the Comptroller General advised the International Boiler Works Co. of East Stroudsburg, Pennsylvania, that the Federal Government could not act upon its protest concerning specifications covering high temperature water boilers used in P.H.A. Aided Project No. Ill-2-37, Stage III, Chicago, Illinois, despite origination of the funds with the Federal Government:

> "The report points out that the Federal Government is not a party to the general construction contract between the Chicago Housing Authority and the Gust K. Newburg Construction Company. Our Office has recognized that the low-rent housing program, although assisted by Federal subsidies,

In view of these opinions by the Comptroller General, recipients of grant funds are *not obligated* to

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is essentially a local program. See our decision B-126528, dated February 17, 1956, a copy of which is enclosed. The Chicago Housing Authority is not an agency of the Federal Government, but is separate and apart and is not subject to Section 3709 of the Revised Statutes, as amended, or other statutes which require advertising for bids.

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"In an analogous situation involving a protest against specifications allegedly favoring one manufacturer for elevators to be used in a hospital project involving Federal assistance funds, we held in decision B-141932, dated May 2, 1960, that it was the duty of the Surgeon General to determine compliance with the regulations imposed by him, and no action by our Office was warranted after the Surgeon General had approved the specifications."

In his opinion to the Secretary of State, reported at 42 Comp. Gen. 289 (B-149441) (1962), the Comptroller General stated:

"There can be no doubt that only the Congress is legally empowered to give away the property or money of the United States, and that when it makes grants of funds to the States and other public or private agencies it has a right to designate the purpose thereof and to surround the grant by such conditions as it chooses to impose. *State of Indiana* v. *Ewing*, 99 F. Supp. 734, cause remanded 195 F.2d 556. * * *" (at page 293)

Also, in an opinion reported at 37 Comp. Gen. 85 (B-132417) (1957), to the Secretary of Agriculture, the Comptroller General held that a sales tax can be paid on purchases made with Federally-derived grant funds. Note the following excerpt from the opinion:

"The first question here is whether the States, in obligating and disbursing the funds granted to them by Congress for cooperative agricultural extension work and experiment station research, stand in such relation to the Government that purchases by a State become, in legal effect, purchases by the United States. If such a relationship exists or, in other words, if the funds so granted must continue to be regarded as Fed-

follow Title 41, U.S.C. § 5, requiring advertising, competitive bidding, and compliance with the general laws, nor is the grantee subject to supervision by the General

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eral funds until disbursed by the State officials, who in that case would be acting as agents of the United States, then it follows that payment of State sales taxes, the legal incidence of which is on the purchaser, would violate the Constitutional immunity of the United States against State and local taxation.

"The general rule regarding the character and status of such funds is stated in 28 Comp. Gen. 54 as follows:

'* * * it consistently has been held with respect to Federal funds granted to a State that, when such funds are receipted for by the State, they become State funds and, in the absence of a condition of the grant specifically prescribing to the contrary, are totally divested of their identity as Federal funds and become funds of the State and the expenditure thereof is subject to the laws and regulations applicable to the expenditure of State funds rather than by Federal laws applicable to the expenditure of appropriated moneys by the departments and establishments of the Government.'

"That this rule is applicable to grants for agricultural extension work and for the work carried on by State agricultural experiment stations seems apparent from the language of the controlling statutes. 7 U.S.C. 341-348; 361-389, Supp. IV. *Cf.* 25 Comp. Gen. 868 and 36 Comp. Gen. 84.

"The States, therefore, in disbursing grant funds for purposes within the scope of the grant, may not be considered as 'agents' of the United States; and, except for conditions specified by Congress in the grants, they are subject only to the restrictions imposed by State laws and regulations on the disbursement of other State funds. If a State, under its laws, is required to pay sales taxes on purchases made with funds derived from State revenues, we can see no reasonable basis for holding that such sales taxes may not likewise apply to purchases with funds obtained by the State through a Federal grant, provided the terms of the grant do not expressly prohibit the payment of such taxes." (at pages 86 and 87)

Accounting Office or any of the restrictions or limitations stated in Federal statutes, including the Federal Procurement Regulations (Title 41 C.F.R.) and the ASPR Regulations (Title 32 C.F.R., Chap. 1, Subchap. A, Parts 1-30), whereas a Government contractor is subject to all of the foregoing (41 U.S.C., Chap. 4, §§ 251-260, and 10 U.S.C., Chap. 137, §§ 2301-2314).

Most recently, in a decision of the Comptroller General, reported at 43 Comp. Gen. 697 (B-153348) (1964), addressed to The Honorable Leland J. Haworth, Director, National Science Foundation, the specific questions presented for the Comptroller General's decision were: (1) Whether expenditures may be made from NSF research grants supporting research at nonprofit institutions for the purchase, maintenance, or operation of aircraft where required to conduct the research for which the grant has been made, and (2) whether the Foundation may reimburse a cost contractor operating a Federally-owned research center for costs incurred by the contractor in obtaining the use of the aircraft necessary to carry out research activities at the center.

The particular Federal statute involved was 5 U.S.C. § 78(b) [now 31 U.S.C. § 638a(b)]:

> "Excepting appropriations for the Military and Naval Establishments, no appropriation shall be available for the purchase, maintenance, or operation of any aircraft unless specific authority for the purchase, maintenance, or operation thereof has been or is provided in such appropriation."

The Comptroller General reached the conclusion that the grantee may buy the aircraft, since the expenditure of grant funds is not subject to the restrictions and

limitations imposed by Federal statute.[9] By the same token, the Comptroller General reached the opposite conclusion with respect to reimbursement of the contractor operating the Federally-owned research center, because the statutory restrictive provisions of 5 U.S.C. § 78(b) applied to him.

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[9] "Whether the restriction contained in 5 U.S.C. 78(b), quoted above, applies to expenditures made by a grantee from funds granted by the Foundation for the conduct of basic research, will depend of course on the terms and conditions of the particular grant. It consistently has been held with reference to Federal grant funds that, when such funds are granted to and accepted by the grantee, the expenditure of such funds by the grantee for the purposes and objects for which made are not subject to the various restrictions and limitations imposed by Federal statute or our decisions with respect to the expenditure, by Federal departments and establishments, of appropriated moneys in the absence of a condition of the grant specifically provided to the contrary. See 36 Comp. Gen. 221, 224 and decisions cited therein.

"Since the funds appropriated for the National Science Foundation are made available for expenses necessary to initiate and support basic scientific research, and since the Foundation is authorized to accomplish this purpose by various methods, including grants, it follows that the rule set forth above with reference to the expenditure of grant funds by the grantee would appear equally applicable to grants made by the Foundation for basic scientific research. Consequently, if expenditures for the purchase, maintenance or operation of aircraft are administratively determined to be required for the effective accomplishment of the purpose or objects for which a research grant is made, no objection will be interposed thereto solely by reason of the restrictive provisions of 5 U.S.C. 78(b), which for the reasons stated here have no application to such research grants. The first question presented is answered accordingly." 43 Comp. Gen. 697 (B-153348) (1964), at pp. 699-700.

CONCLUSION

Although the foregoing is relevant and interesting, the fundamental question of whether or not a Federal grantee, as a Government contractor, is covered by the umbrella afforded by 28 U.S.C. § 1498 remains unanswered.

In light of the vast sums being granted annually and the total absence of a definite legal policy or guideline in our body of law respecting whether or not 28 U.S.C. § 1498 covers infringing activities funded by Federal grants, this timely and important question of Federal law should be settled by this Court. For the reasons set forth above, petitioner respectfully submits that this Court should exercise its discretionary jurisdiction and that this petition for a writ of certiorari should be granted.

Respectfully submitted,

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